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BULLETIN 01- 05

DATE: OCTOBER 9, 2001

TO: ALL PROPERTY AND CASUALTY INSURANCE
COMPANIES WRITING MOTOR VEHICLE INSURANCE
IN LOUISIANA

FROM: J. ROBERT WOOLEY, ACTING COMMISSIONER

RE: ECONOMIC ONLY UNINSURED/UNDERINSURED
MOTORISTS COVERAGE (LRS 22:1406D)

This Bulletin is being issued by the Louisiana Commissioner of Insurance to provide assistance to insurers. It addresses important issues that have been raised by various parties.

Act 1476, the Omnibus Premium Reduction Act of the 1997 Regular Session of the Louisiana Legislature, hereinafter "OPRA", became effective September 6, 1998. (See Bulletin LIRC 98-03.) Section 3 of OPRA amended LRS 22:1406D(1)(a) by granting insurers the option to offer "economic-only" UM coverage to their insureds.

LSA-R.S. 22:622.1 states that all automobile insurance policies issued in Louisiana must be written in language that is easy to understand. LSA-R.S. 22:620, as regards admitted insurers, requires that insurance policy forms be filed with and approved by the Commissioner of Insurance prior to being issued, delivered or used in Louisiana. Pursuant to LSA-R.S. 22:620B the Commissioner may withdraw approval of any policy at any time for cause. Additionally, LSA-R.S. 22:621 mandates the disapproval or withdrawal of any previously approved form if it does not comply with law.

LSA-R.S. 22:1406D(2)(b) defines the term "uninsured motor vehicle" to include an insured motor vehicle when the insurance coverage on such vehicle is "**less than the amount of damages** suffered by an insured and/or the passengers in the insured's vehicle".

Insurance policies that define an "uninsured motor vehicle" as one where the insurance coverage on such vehicle is "**less than the economic-loss**" suffered by the insured are not

in compliance with law and do not plainly convey to the insured the benefits to which he is entitled under the policy.

Therefore, in accordance with the statutes referenced above, the Commissioner of Insurance hereby gives notice to all insurers writing "economic-only" UM coverage in this state to review the policy language used to assure compliance with the Insurance Code. If the policy's language does not conform with the definition of "underinsured" UM coverage as provided for in LSA-R.S. 22:1406D(2)(b) then you are hereby directed to revise your forms to bring them into compliance with the law. Admitted insurers must file their revised forms with the Commissioner of Insurance on or before **December 15, 2001**.

No new or renewal policies providing "economic-only" UM coverage may be issued, delivered or used in Louisiana after **December 31, 2001** unless they are in compliance with the Insurance Code. Any previous approval of forms with non-conforming language is hereby withdrawn, effective **December 31, 2001**. Failure to comply with the Insurance Code may result in the imposition of administrative sanctions as authorized by LSA-R.S.22:1262.1 or by LSA-R.S. 22:1467.

Any questions regarding this Bulletin should be directed to Kathlee Hennigan, Director of the Property and Casualty Division, at khennigan@ldi.state.la.us or by telephone at 225-342-0073.



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